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INDONESIA
Summary of 1988 Forecast

SUCCESSION ISSUE AND ECONOMY POSE GREATEST RISKS

RISK FACTORS	1987	1988
Turmoil	Moderate	Low
Financial Transfer	B-	B-
Direct Investment	B	B+
Export Market	C+	B-

President Suharto and his Sekber Golkar party are unlikely to lose power... But Suharto's decision to stand for re-election in 1988 and his failure to lay groundwork for a successor or to open the way for more participation outside the ruling elite will ultimately undermine political stability... Support of the military-business elite will begin to erode as a result of dwindling oil, gas, and commodity revenues, and also because of allegations of corruption and the need for economic restructuring... The new generation of senior military officers might intervene... A takeover by Moslem fundamentalists is a remote possibility... As oil prices increase, policies aimed at improving the climate for investors will become less likely.

1983-87(AVG)	3.0% grwth	8.8% infl	-$3.51bn curr acct
1988(F)	2.5% grwth	8.6% infl	-$2.50bn curr acct

REGIMES AND PROBABILITIES:		SUHARTO 85%	SENIOR MILITARY 10%	MOSLEMS 5%
RISK FACTORS	CURRENT			
Turmoil	Low	Same	SLIGHTLY MORE	MUCH MORE
INVESTMENT				
Equity	High	SLIGHTLY LESS	LESS	MORE
Operations	High	SLIGHTLY LESS	SLIGHTLY LESS	MORE
Taxation	High	SLIGHTLY LESS	SLIGHTLY LESS	MORE
Repatriation	Moderate	Same	Same	MORE
Exchange	Moderate	Same	Same	MORE
TRADE				
Tariffs	High	Same	SLIGHTLY MORE	MORE
Other Barriers	High	SLIGHTLY LESS	SLIGHTLY LESS	MUCH MORE
Payment Delays	Moderate	Same	SLIGHTLY MORE	MUCH MORE
ECONOMIC POLICY				
Expansion	Moderate	Same	SLIGHTLY MORE	MUCH MORE
Labor Costs	Low	Same	Same	Same
Foreign Debt	High	SLIGHTLY MORE	SLIGHTLY LESS	LESS

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